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The Southern Frontier

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THE SOUTH'S POST-WAR ECONOMY

Agriculture and Industry In The Post-War South

MORDECAI EZEKIEL
Economic Adviser
U. S. Department of Agriculture

We must now begin to take steps to assure work for the boys when they come home. We have demonstrated how much we can produce for war. We must not fail to make equally full use of our resources for the far happier tasks of peace. . . .

The first essential to Southern prosperity is prosperity for the nation as a whole. The South went ragged and underfed in the great depression of 1929; it shares today in increased incomes from full employment for war. No one section of the country can be prosperous by itself, any more than any one economic group—farmers, workers, or businessmen—can be prosperous by themselves. . . .

In 1939, we had 45 million people at work and 8 million unemployed. Today, we have 52 million at work in civilian employment, less than 1 million unemployed, and about 12 million in the Armed Services. After the war we will need 57 or 58 millions of men and women at work if unemployment is to be held to a reasonable minimum. That means that the nation will need jobs for 12 million more people than were at work in 1939. We will need work for 5 million more than are engaged in civilian work today. Reconverting war industries and expanding peace-time industries offer new opportunities to every section of the country.

Need For Industrialization

The South needs industrialization. Lack of industrial development has limited both farm and city. . . . These limited Southern opportunities show up clearly in employment and in incomes. Before the war, half of all our farm workers were on Southern farms. Agricultural net income, however, was barely half as large—$380 per worker in the South, $710 per worker for the rest of the country.

The economy of the South has long been dominated by cotton and tobacco. These crops characteristically use much labor and little machinery. Their acre value has been relatively high, but their return per hour of labor has been low. . . .

The Southern farmer could get by, despite the handicaps of few acres, little use of machinery, and low yields, so long as the South enjoyed a dominant position in world cotton markets. . . . The relatively high price of American cotton has been pricing it right out of its markets, while our cotton control program has been preventing the most efficient use of Southern farms. Twenty years ago, we produced around 55% of the world's cotton, while today we produce only 43%. Adding synthetic fibers and cotton together, our present cotton output is only 33% of the world's annual production. . . .

Reconversion

Many men and women have left Southern farms and cities for military service and defense work. After the war they will be looking for peace-time work again. In addition, nearly 2 million Southern workers were unemployed before the war. Population growth will add another million and a half workers during the next ten years. If the million or more people who would be released from farm work under the reconversion program are to find jobs in the South, there must be work for them and for these other people as well. To accomplish that, it would be necessary to increase nonfarm employment in the South from the pre-war 8.2 millions to 13 millions by 1956—an increase of 60%. . . .

Industrialization means a balanced growth in all parts of the region's economy—in transportation, trade, professional service, personal service, clerical work, mining—as well as in manufacturing. Out of 5 million more jobs only about 1.7 million might be in manufacturing and construction, while the rest could be provided by other industries. . . .

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In this issue of *The Southern Frontier* we are printing excerpts from several of the addresses which were delivered at SRC's conference on the "South's Postwar Economy," Atlanta, April 11-12. In the May issue we shall print excerpts from the other addresses. The conference addresses will shortly be published in full in a special booklet.

Impact of the War on Southern Labor

A. F. HINRICHS
Acting Commissioner
Bureau of Labor Statistics

For many years industrialization has been proceeding more rapidly in the South than in the country as a whole. From 1910 to 1920 the number of non-agricultural workers increased 25 per cent, and from 1920 to 1930 by 34 per cent. . . .

The preliminary figures that are available show that in the 13-state Southern region non-agricultural employment increased at least as rapidly as in the country as a whole: 32 per cent as compared with 31; and more rapidly than in the industrialized Northeast where the number of non-agricultural employees increased only 23 per cent. Indeed, the only section that certainly expanded much more rapidly than the 13-state region was the Pacific Coast where the number of non-agricultural employees increased about 65 per cent.

Cutbacks After the War

Activities which are very directly connected with the war and which will be cut back most sharply after the war account for nearly 1,100,000 of the total increase of about 1,900,000 in the number of non-agricultural employees. . . .

This war-time employment gain can obviously not be held in these same lines of employment. More than half of this gain will disappear quickly after the end of the war with Japan. . . .

Cutbacks in the South after the war is over will be slightly more serious than in the country as a whole. The employment figures themselves show this. Four lines—ships, aircraft, ordnance, and Government employment—account for 53 per cent of the increase in the number of non-agricultural employees in the country as a whole, but for 58 per cent of the increase in the 13 Southern states. . . .

There is a wealth of new plants, new equipment, and newly trained labor now present in the South. These are available for immediate use in expanding the post-war production and markets in your states and in the nation. . . .

It is true that the particular industrial operations developed during the war are likely to be ephemeral, but they should leave a permanent residue of skill and

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ATLANTA, GEORGIA, APRIL, 1945

To attain through research and action programs the ideals and practices of equal opportunity for all peoples in the region.

Editorial

Not many years ago it was the fashion to speak of the South as "The Nation's Economic Problem No. 1." Now we are hearing it described on all sides as "Economic Opportunity No. 1." Perhaps both descriptions are true. "Problems" present us with "opportunities" if we have the courage to face up to the realities and develop our natural and human resources to the utmost.

Expert economists say—and we are ready to agree with them—that the South now has the chance of a lifetime to embark upon a great program of industrial expansion which will lift the economic level of the region. There are war plants to be sold and converted to peace-time production. There are hundreds of thousands of laborers who have learned new skills. There are billions of dollars of war-time savings and profits ready to be invested in new enterprises. If the South grasps this opportunity, it can make more economic progress in the next twenty-five years than it has made in the past century.

But if the South wants an industrial expansion which will relieve rather than aggravate its economic anemia, it must take into account certain basic factors. We submit that the following are fundamental:

1. Development of new enterprises with Southern capital, so that profits can be kept in the region.

2. Elimination of freight-rate differentials which hinder the South's competitive position.

3. Improvement of educational opportunities, so that Southern workers, white and Negro, can fill all kinds of jobs competently.

4. Concerted attack on the problem of health in the underprivileged classes so that they can function normally as producers and consumers.

5. Recognition of the right of labor to organize and the establishment of cooperative relations between labor and management.

6. Elimination of suffrage barriers so that the region can be freed from minority rule and misrepresentation.

In Memory of Franklin D. Roosevelt

Let us now praise famous men . . .
The Lord hath wrought great glory by them . . .
Their seed shall remain forever,
And their Glory shall not be blotted out.
Their bodies are buried in peace,
But their name liveth for evermore.

HISTORY WILL HONOR HIM

History will honor this man for many things, however wide the disagreement of many of his countrymen with some of his policies and his actions. It will honor him above all else because he had the vision to see clearly the supreme crisis of our time and the courage to meet that crisis boldly. Men will thank God on their knees, a hundred years from now, that Franklin D. Roosevelt was in the White House, in a position to give leadership to the thought of the American people and direction to the activities of their Government, in that dark hour when a powerful and ruthless barbarism threatened to overrun the civilization of the Western World and to destroy the work of centuries of progress. . . .

It was his hand, more than that of any other single man, that built the great coalition of the United Nations. . . .

Editorial from The New York Times, *April* 13, 1945.

AN AMERICAN TESTAMENT

Today we are faced with the preeminent fact that, if civilization is to survive, we must cultivate the science of human relationship—the ability of all peoples, of all kinds, to live together and work together, in the same world, at peace.

Let me assure you that my hand is the steadier for the work that is to be done. . . .

The work, my friends, is peace, more than an end of this war—an end to the beginnings of all wars, yes, an end, forever, to this impractical, unrealistic settlement of the differences between governments by the mass killing of peoples. . . .

The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith.

Jefferson Day speech, undelivered, written by President Roosevelt on the night before his death.

Agriculture and Industry—Continued

South Has Resources

The South has the necessary resources—raw materials, fuels, power, labor force, enterprise, and markets. Much of the region's new war industries will be discontinued or greatly curtailed when the fighting ends. These industries offer a starting point for other permanent employment. They will provide plants for conversion and trained workers and managers. This nucleus of trained workers can help speed the needed large-scale regional development. . . .

The new facilities to industrialize the South will require the investment of many billions of dollars. War savings, both by individuals and by business and financial concerns, have been so large that most of this needed investment can be provided from local funds. If this is to be done, though, the individuals and businesses concerned will need to see the opportunities ahead, and move to take advantage of them fast enough to make new jobs as rapidly as the workers become available. . . .

Industrialization of the South also requires better education and better health for its workers, both white and colored. Increased funds are needed for more adequate general education, public health, and medical services, for the South. Investments in workers' minds and bodies can be even more productive than in plant and equipment. . . .

South's Opportunity

The years immediately after the war offer the South an exceptional opportunity to "get in on the ground floor" of the nation-wide industrial expansion. During that period, if we are to achieve full employment, the nation must create new peace-time work-places for many millions more workers than it ever employed in peace. If the South pushes industrialization vigorously in that period, it can expand its industry as part of the nation-wide expansion without having to steal industries from anywhere else. It can reorganize its agriculture for greater efficiency, and better incomes without public supports. Once that period is past and the new industries are created over the country as a whole, the South can expand further only in strong competition for markets and for workers with industries already established in other parts of the country. During the next few years the South can grow with the great national post-war expansion. Later on would be too late—such an opportunity may not come again this century.

The South and Post-War Markets

WILFORD WHITE
Acting Chief, Division of Small Business, Bureau of Foreign and Domestic Commerce

We do not and we cannot produce in the South all the products which we need and desire to consume. But we do produce many, and as time goes on we shall be able to produce more.

For most of these products, we shall not need large plants with expensive machinery. I would rather expect that we could occupy small buildings in the smaller cities, towns, or villages where with a minimum of management know-how, operating skills and capital, a good business could be developed, creating new jobs, steady employment, and purchasing power. . . .

The Importance of Small Business

Most of the 3 million business organizations now operating in the United States are small; over 92 per cent of them are small. Please understand me: 92 out of every 100 manufacturing establishments in the United States have 100 or fewer employees; 77 out of every 100 wholesale houses have less than $200,000 annual sales; 91 out of every 100 retail stores have less than $50,000 annual sales; and 99 out of every 100 service establishments have less than $50,000 annual receipts. They are local businesses, and to a large extent buy and sell locally.

Let us look at this question of size from another angle. In the last count, there were well over 1,700,000 retail stores in the United States. Adding them all up together—the big and the small—and striking an average, what would you guess was their average annual sales volume? It was $23,729. And if you figure that on a weekly basis, it comes to $456; or on a daily basis—figuring six days to the week—it is $76. That is the average daily sales for all 1,700,000 retail stores. Suppose we assume that this average store takes a gross margin of 20 per cent. It would gross $15.20 a day. And if it made 5 per cent net—and most of them do not—the daily take-home would be $3.80.

In considering industrial markets, we need to have a perspective for size. It is too easy to think of big manufacturers employing hundreds and thousands of people. Or the big downtown department store. But for every 1 plant that employs more than 500 people, there are 80 plants which may employ less than that number. So I suggest that we concentrate upon developing and strengthening small business organizations to produce, distribute, and consume the products and services of the South. Let us not forget the big fellows. But they can take care of themselves. . . .

Thus, when we realize that over 9 out of every 10 business houses are really small, we need not be so concerned over the need of large markets, heavy capital investments, scores of trained management men, hundreds of skilled workers. There is not a village or hamlet in the entire South too small for a small processing plant provided the raw materials are there and markets are nearby. Whether, however, the city is as large as Atlanta or as small as Georgetown (Texas), it is essential to know what we need, what we have, and how we are going to do the job. That means, we must have facts before we venture with our plans and our money.

Impact of the War on Southern Labor—Continued

equipment that can be turned to the service of this area. It should never again be said that the South lacks skilled labor.

Southern Labor Efficient

In passing let me stop to blast one false idea that I often hear expressed—that labor in the South is less efficient than labor in the North. Before the days of minimum wages—and even today in some low-wage areas—we have found that labor is less efficiently employed in some southern plants than in any Northern plants in our sample. Thus a hosiery mill could use obsolete equipment if it could hire labor for 15 or 20 cents an hour when other mills were paying 30 and 40 cents. . . . But I have yet to encounter an industry with clear regional differentiation of efficiency, given equally good materials, equipment and management. And the wartime record of ship production bears out my assertion that the South has a proven supply of skilled workers. . . .

The Outlook For Wages

The wartime demand for labor has resulted in pulling up the lowest wage scales so that today there are comparatively few workers in either manufacturing or non-manufacturing industries getting less than 40 cents an hour, and there has been widespread application through the War Labor Board for minimum rates of 50 cents or more.

The elimination of very low wages has been an advantage to this region. In many instances we know that efficiency has been increased enough to offset fully the increase of wages. Certainly the markets afforded by people fully employed at fair wages will do much to offset one of the disadvantages under which the South has labored—the thinness of the local market. . . .

The income of workers laid off in the South will not be as well maintained while they are looking for other employment as it will be in the North. This is partly because the standards of unemployment compensation are generally somewhat lower. But incomes will also be lower because the South has relatively a larger number of workers who cannot draw unemployment compensation. . . .

Full Employment, Key To Confidence

The maintenance of full employment at fair wages would itself partly solve the problem of getting full employment—solve it in part by bringing about a voluntary decrease in the size of the labor force. On the other hand, depression itself breeds further unemployment by forcing additional members of the family to hunt for jobs.

This may sound to you like an elaborate kind of double talk—the existence of full employment makes it easier to maintain full employment! But it is by no means the only or the most important example of a situation in which the *assurance* of full employment would help to bring about full employment. The significance in this regard of the Murray-Wagner-Thomas-O'Mahoney Full Employment Bill now pending before the Senate Banking and Currency Committee can be illustrated from what I have been saying about the South.

No one questions the fact that a tremendous increase of non-agricultural employment is needed in this area in order to raise its level of living to levels already attained in many other parts of the country. No one doubts that businessmen could quickly discover what kinds of goods were needed in the vastly expanded markets that full employment under peace-time conditions would bring in its wake. But how many business men can you find who are prepared to build factories as soon as materials are available on the assumption that the million shipyard and other war workers who will be laid off will be quickly reemployed in these 13 states? Or are they rather inclined to wait and see before they make a long-run investment that will be warranted only if these people were reemployed?

If the businessman does wait—and under present conditions I do not blame him for being cautious—by that very act of postponement he lessens the immediate demand for products and hence the amount of employment private industry can create. On the other hand, if he were sure of the size of the total market, I suspect there would be a rush to invest in new plants and equipment such as this country has never seen. It is our job to find ways and means of giving him the assurance he needs. With that assurance given—and I mean assurance—we can count on him to find the particular types of production that call for expansion and to choose appropriate locations.

In that kind of a national setting the South stands to gain almost more than any other section of the country. So far, the Murray Bill is the only measure that has been proposed to give businessmen and farmers and workers the assurance that full employment will exist after the war.

There is 42 per cent of the nation's minerals in the South, yet we in this section have only 14 per cent of the foreign trade. Put the manpower, the natural resources, and climatic advantages under vigorous planning and leadership and the South will forge ahead to unparalleled greatness in this country's history.—*Memphis Commercial Appeal.*

How Government-Owned War Plants Can Help Industrialize the South

ROGER STEVENS
Chief, Industrial Plant Division
Smaller War Plants Corporation

When the war production period is over, the Government will own approximately fourteen hundred industrial plants, that is manufacturing plants. They will have cost somewhere in the neighborhood of some sixteen billion dollars. They will include approximately 430,000,000 square feet of floor space. Maybe it will be clearer if you look at it as ten thousand acres, ten thousand acres of industrial plant floor space. . . .

The South as we define it here, thirteen states, has somewhere in the neighborhood of three and a half billion dollars worth of that construction. Now, that is approximately one-fifth of the total on the dollar basis. . . .

Approximately one-third of all the people now engaged in war production are engaged in production in those Government-owned plants; that is, one-third of the labor force involved in war production will inevitably be out of a job from the time that the war contracts are terminated in the war plants—in the Government-owned plants—until we get those plants back into some kind of production or until they find jobs elsewhere in industry. It isn't difficult to see that the success or failure in getting these Government-owned war plants back into production will determine largely the success or failure of our attempts to get into some kind of normal production swing after the war. . . .

Multiple Tenancy

It became very apparent that the answer to the problem of getting these plants into production would not be found in an attempt to find a suitable buyer for each of those plants. That becomes evident when you look at the process by which any industrial concern arrives at a decision when it once subscribes for a new plant. If you start off with a group of thirteen or fourteen hundred plants whose sizes and types of construction were determined, not by ordinary peacetime production requirements, but by specific war conditions, whose locations were determined by war expediencies rather than by normal industrial considerations, you can see that it is an almost impossible thing to do to try to match up individual company requirements with individual plants.

The only feasible way to get these plants into operation in the postwar period is to operate them as what we commonly call multiple tenancy facilities; that is, we have got a plant in a given location that is too big for any one company; it is physically not suited to the needs of any one company; its location is not appropriate to the needs of any one company, but there are always in any given locality a lot of small companies who need space. Obviously, the thing to do is to subdivide the big plant and rent space in it in suitable units, suitably sized units, to anybody that wants it. . . .

Local Initiative

My proposal specifically is this: that we encourage local groups to form in a given case a corporation to buy a suitable local plant from the Government at the most advantageous terms that can be arranged, subdivide it as needed, re-run the utilities, water, sewer, steam, air, gas lines, lighting and ventilation, and rent space to all comers for whatever their businesses may be. . . .

It seems to me that any forward looking, intelligent planning for a community must see to it that at least a large part of its growth takes place in small industries. What that means to the South in its building upsurge industrially is rather obvious. You have got some one-company towns now. You are not as badly cursed with them as some parts of the country have become. You have got your picture to make, and it seems to me that that should be kept always in the forefront of your planning minds, that you can't afford to get too great a proportion of the industrial development in any city tied up with a single company or a single industry.

What Foreign Trade Means To The South

AUGUST MAFFRY
Chief, International Trade Unit
U. S. Department of Commerce

The Department of Commerce believes that foreign trade after the war can be greatly expanded from its prewar levels. We believe that it is not unrealistic to think in terms of annual exports of $10 billion in the post-war period. This would be approximately double the dollar amount of our exports in the late twenties and about three times what they were before the present war. . . .

If we are to achieve the goal of $10 billion of exports, it is necessary that imports be maintained at a high level, and this means that industrial production and employment at home must also be at high levels. The Department of Commerce has calculated that full employment after the war would mean, at 1942 prices, a gross national product of about $170 billion, or a national income of about $140 billion. . . .

The South's Share

Suppose the United States does attain an export volume of $10 billion after the war. Does it follow that the South will share in the trade to the same extent as it did before the war? Will it enjoy, say, 30 per cent of the total export trade and sell $3 billion of its products in foreign countries as compared with $1.5 billion during the prosperous twenties?

If the South were a highly diversified economy producing a variety of products for export, the answer would undoubtedly be "yes." This is, however, not the case. Cotton alone probably accounted for close to half of the total exports from the South during the interwar period. If the place of American cotton in the world market were assured, the South could probably look forward to a considerable expansion in the cotton export trade. But under present circumstances it is difficult to see how one can be very optimistic about the prospects for the export of American cotton. It is therefore difficult to be very optimistic about the total direct contribution of foreign trade after the war to the economy of the Southern states as a whole.

Indirect Benefits

While discounting in this sense and to this degree the direct stimulus to the post-war economic activity of the South as a result of a larger foreign trade, I hasten to say that the indirect benefits can scarcely be exaggerated. The South has made considerable industrial progress during the past two decades. It has, to mention several obvious examples, a well-established textile industry, a flourishing steel industry, and an important pulp industry. The principal industries of the South are not, however, primarily export industries but rather industries producing for regional and national markets. Furthermore, the South as a whole is still predominantly an agricultural economy producing largely for the domestic market, with the notable exception in past years of cotton exports.

Thus, the immediate interest of the South is in a large and expanding domestic market. But it is completely unrealistic to think in terms of regional and national economics and the world economy as if they were separate entities. Although the connection is one step removed, the South has as great a stake in a healthy, vigorous foreign trade for the United States as a region which is producing mainly for export. The South probably cannot continue to develop its resources, industrialize, raise the income of its low-income groups, and thus attain a diversified, expanding regional economy unless the country as a whole is prosperous; and a full measure of prosperity cannot be achieved in the country as a whole unless a high level of foreign trade is achieved. . . .

A Well-Rounded Policy

It is logical, therefore, that the Southern states should include in their program support for a well-rounded foreign trade policy for the United States. The elements of this policy are: (1) a high and reasonably stable level of domestic production and employment; (2) foreign investment on a large scale; and (3) participation in a world movement to lower tariffs and remove other impediments to international trade.